



January 26, 2011

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Comments on proposed debit card interchange fee

Dear Sir,

As I see the proposed rule changes, there are three areas that are of concern to the industry: network routing and exclusivity, competitive disadvantage, and proposed cost structure does not cover cost of program.

The network routing and exclusivity would allow merchants to discriminate based on the network the financial institution used. Institutions that are more than the 10 billion in assets would get preferential treatment because of the lower interchange fees. This would lead smaller financial institutions, like Credit Unions, to buy into additional networks, increasing their fixed cost of running the program.

This two tier system would also cause a competitive disadvantage. Surcharge costs to individuals using a smaller financial institutions card would be passed on at the retail side. This would cause higher fees and the shifting of costs on to the consumers, making the individual move toward larger institutions to reduce their costs. An additional effect of this would be the merchants influencing consumers' choice of financial institution, moving consumers to the less costly larger institutions.

The last area of concern is the proposed interchange fee does not cover the cost of the program. The proposed rule only takes into consideration the direct costs. It does not include other costs such as network fees, fixed costs, and fraud loss and prevention. This would cause smaller institutions to rethink the viability of their debit card program and again cause a competitive disadvantage between small and large financial institutions.

I urge the Board of Governors to consider the above concerns and amend its interchange proposal rules.

Sincerely,

A handwritten signature in black ink that reads 'Charlie Barnes'.

Charlie Barnes
Vice President – Member Service

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